



## STAR RATINGS REVIEW

MONTHLY MORNING MEETING JANUARY 2012. PRESENTED BY iFAST CAPITAL SDN BHD ©

### ASIA EXCLUDING JAPAN (5.0 STARS – VERY ATTRACTIVE)

#### Why we like it:

1. Expected to have robust earnings
  - Although we started to see a downgrade in earnings estimates, Asia ex-Japan region is forecasted to hit new record highs by end of 2012
  - This should continue to drive up the equity markets in the next 3 years
  - Earnings are forecasted to rise 12.7% and 14.0% for 2012 and 2013 respectively
2. Attractive valuation
  - After the poor performance of most of the Asian markets, the MSCI Asia ex-Japan market trades at estimated PE of 10.6X and 9.9X for 2012 and 2013 respectively (as at 30 December 2011). It is still far below its fair PE of 14.5X
  - Some of the Asian markets such as India used to be relatively expensive at the beginning of the year but has now become a lot cheaper after the correction in the past 6 months. It makes the whole Asia market become more attractive in terms of valuation
3. Huge Potential Upside
  - The estimated upside by end-2013 is more than 60%, one of the highest among all of our covered markets

#### What we don't like it:

1. The outbreak of the European debt crisis might continue to hit market sentiment. When investors become more risk averse, the performance of Asia might be as poor as this year
2. Currencies movement might be highly volatile due to swings in market sentiment. However, due to the strong fundamentals, Asia currencies should appreciate steadily against the USD
3. Since the Asian markets have a strong correlation with market risk appetite, we might see a new capital outflow out of the Asian markets. According to our experience in September, higher valuation markets such as Thailand and Indonesia, are especially riskier and might face a strong sell-off when the sentiment changed drastically